

APPENDIX A PROJECT DESCRIPTION

Institutional Support to the Smallholder Specialty Coffee Cooperative—RWASHOSCCO Rwanda

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this appendix shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

The specialty coffee market is currently a \$20 billion per year industry in the US alone. It is growing at 10 percent annually. This market pays top prices for fine coffees. The fastest growing parts of the specialty coffee market are *Fair Trade* and *Organic* coffee. These products pay a 15 to 20 percent premium. Both of these specialty products are targeted market segments of RWASHOSCCO.

RWASHOSCCO is a new, non-profit coffee marketing and export company that provides services to small holder coffee cooperatives. In addition to market and export services, RWASHOSCCO provides extension and quality improvement services. The shareholders of RWASHOSCCO are the cooperatives themselves. As such, RWASHOSCCO works to increase coffee producer incomes and provide access to lucrative specialty coffee markets. However, RWASHOSCCO currently lacks the organizational capacity to plan for future growth and investment. Assistance will facilitate their development as an organization and as a commercial enterprise.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 1 of the Agreement.

B. Grantee Contribution

RWASHOSCCO (the Grantee) will contribute the Company's existing fixed assets (estimated at RFr 170,000,000), as well as operational, extension, training, and marketing costs totaling RFr 42,268,800.

17. Project Goal

The goal is to provide sustainable incomes and improve the livelihood of Rwandan smallholder specialty coffee farmers and their families.

18. Project Purpose

The purpose is to prepare RWASHOSCCO for future growth and investment by facilitating their development as an organization and as a commercial enterprise.

At Project's end, RWASHOSCCO will have a business expansion plan suitable for donor funding and possess the capacity as an organization to implement it as indicated by:

- A. RWASHOSCCO board, critical management, and staff are in-place and are functioning effectively in their respective capacities;
- B. RWASHOSCCO establishes requisite financial management and operational systems, and
- C. RWASHOSCCO coffee farmers are able to increase production and meet the high quality standards of the international specialty coffee industry.

VI. Project Outputs

- A. Comprehensive five-year business plan, with financial analysis that demonstrates the long-run profitability of RWASHOSCCO developed, as evidenced by:
 1. comprehensive business growth and expansion plan, which is deemed suitable for funding by ADF; and
 2. detailed marketing strategy and plan.
- B. Governance strengthened and management systems and plans developed and operational, as evidenced by:
 1. the roles of Board members and member cooperatives defined and formally adopted by General Assembly;
 2. by-laws, internal rules and regulations established and approved by the organization's members by the end of the OAG;
 3. a manual of financial and administrative procedures established by Project end; and
 4. cost of service provision calculated and levy agreed to by members which will enable RWASHOSCCO to cover costs in near term.
- C. Technical capacity strengthened, as evidenced by:
 1. two agronomist hired; and
 2. two cupping technicians hired.

- D. Coffee production and processing capacity of smallholders improved
- * Training modules developed for new groups and member cooperatives on:
 - o work plan formulation;
 - o business plan development;
 - o wet mill operations management;
 - o financial management; and
 - o quality control.
 - * Two new associations formally established as cooperatives
 - * One mini-washing station established and operating

VII. Major Activities to be funded under this Agreement

RWASHOSCCO will apply ADF support towards the following main activities:

1. develop a comprehensive five-year business plan;
2. perform a financial analysis that demonstrates the long-run profitability of the Company;
3. develop a marketing strategy and a plan for implementation;
4. define the roles of the board, the member cooperatives, and management;
5. strengthen the governance and operations of the Grantee by formalizing systems and defining responsibilities as approved by the General Assembly;
6. recruit and hire key extension and technical staff; and
7. increase production by developing training for members, individual cooperative workplans, and a mini-washing station.

VIII. Roles and Responsibilities of the Parties

The Grantee has primary responsibility for ensuring that Project activities are properly implemented. Within RWASHOSCCO, the Board of Directors will be the highest decision making body. It will determine strategies, policies, and the direction of the business.

IX. Monitoring and Evaluation

Within one hundred twenty (120) days of the effective date of the Agreement, the Grantee will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will prepare and submit to ADF the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follow the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

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